GUARDIAN GROWTH FUND LIMITED
48 YONGE STREET, TORONTO 215
ONTARIO, CANADA

TELEPHONE
364-8341

July 16th, 1970

To The Shareholders:

The stock market, as investors know only too well, was weak in April and early May, recovered somewhat in the last part of May, and in June fluctuated in a fairly narrow range. The performance of the averages, and of Guardian's net asset value, is tabulated below in the usual way. It is interesting to note that, in the second quarter of 1970, the New York Stock Exchange Composite Index, Standard and Poors 425 Stock Industrial Index and the American Stock Exchange Index all declined by 20% or more.

	Value	Percent Change Since:		
	June 30 1970	March 31 1970	Dec. 31 1969	June 30 1969
Guardian Growth Fund Net Asset Value per Share	$ 6.25	-18.1	-24.5	-29.6
Toronto Industrials	151.52	-18.2	-18.7	-14.6
Dow-Jones Industrials	683.53	-13.0	-14.6	-21.7

Guardian's cash and liquid asset reserve was 34% of assets at March 31st; at the time of writing the last quarterly report on April 28th it had been increased to 55%; by mid May it was approximately 70% of assets, where it has since remained. These liquid reserves now include not only bank deposits, but also some high quality, medium term and extendible bonds.

Stock portfolio activity in the second quarter was almost exclusively on the selling side. Reductions or eliminations during the second quarter included Sherritt Gordon, Union Oil of California, Graphic Sciences, Flying Tiger, Kaps, Canadian Goldale debentures, IBM and Reynolds Metals among others.

Letters received from Guardian shareholders since the annual meeting on April 23rd have all agreed that maintenance by your management of high cash reserves in the Fund is quite satisfactory to shareholders. Your management assumes also that shareholders would not disagree with a policy of investing a substantial portion of assets in bonds or debentures, if the bond market seemed likely to be a more profitable area for investment for an intermediate period than did the stock market

In terms of the last twenty years, the stock markets in Canada and the U.S. are now quite good value. There has obviously been a great washing out of speculation, over-enthusiasm and even of normal optimism. The length and the size of the declines are unusual in post-war terms.

For the immediate future, however, the outlook for stock prices is clouded by the unusually high yields on bonds, which have produced an inverse yield gap favouring bonds by a wide margin. In an inflationary environment, this factor could well be more than offset by the fact that equity ownership in viable and well-managed enterprises offers some protection against inflation, whereas ownership of ordinary bonds offers none.

In the present situation, however, the Federal Governments are attacking inflation by some degree of fiscal conservatism (more in evidence in Canada than in the U.S.) and by moral and political pressure against price increases by business. The central banks in both countries are weakening overall demand by restricting growth in the money supply.

In the meanwhile, the strongest remaining component of price inflation, namely excessive wage increases, continue to be fought for, and won, and only the Canadian Federal Government, in its battle with the Postal workers, is demonstrating the sort of stamina which is presumably necessary to contain excessive gains.

Wage increases, and the consumer price index, are of course lagging indicators of inflationary forces. Nevertheless, if the battle which was started more than a year and a half ago is to be of any value to the economy and its people, it has to be pursued to a successful conclusion. This seems to require either new techniques, approaches or controls, which are not in evidence in either political or academic circles, or else a continuation of the present treatment over a longer period than was originally expected or hoped for.

In the meanwhile, therefore, while your management hopes that the stock market will avoid further significant decline, it seems appropriate to maintain a defensive posture. Some purchases have been made of high quality convertible debentures. A more aggressive attitude will hopefully become appropriate as visibility improves.

On behalf of the Board,
Yours sincerely,

Norman Short

Norman Short

Major Holdings
June 30th, 1970

Shares Held	Name	Market Value
	Cash	
	Net cash and receivables	$14,307,180
	High Grade Bonds	
$1,000,000	Standard Oil of New Jersey debs 2¾% 7/15/74	859,300
$ 500,000	Govt.of Canada 8% October 1/74	521,250
	Equities	
250,000	Keydata Corporation	1,421,400
$ 150,000	Keydata Corporation - debentures	100,910
52,600	Consumers Distributing	729,820
16,000	Aetna Life and Casualty	609,910
47,000	Rank Organization	593,370
33,200	National Medical Enterprises	531,970
13,000	Bearings	498,910
40,000	Brascan	496,200
139,800	Ripley International	272,610
10,000	American Smelting and Refining	244,220
12,500	Telecommunications	134,060
7,000	Lake Dufault Mines	122,500
2,000	Standard Oil of New Jersey	113,200
2,500	Alberta Gas Trunk Line	102,500
$ 130,000	Daylin - debentures	100,790
	Other Holdings	513,140
	Total Net Assets	$22,273,240

Brief Description of
Major Holdings

Keydata - Operates one of the largest time shared real time networks supplying a packaged business data processing service.

Consumers Distributing - Low overhead distributor of retail products at wholesale prices.

Aetna Life and Casualty - A major U.S. life and casualty insurance company.

Rank Organization - Large U.K. based international company which, jointly with Xerox, manufactures and distributes most of Xerox Corporation's products outside North and South America.

National Medical Enterprises - Operator of private general hospitals and extended care facilities in California.

Bearings - Acts as a distributor to the replacement market for thousands of items produced by 88 manufacturers. Modest sales growth is accompanied by wider margins due to better inventory management.

Brascan - Major Brazilian utility with growing Canadian assets and imaginative Canadian management.

Ripley International - Unique Canadian company owning world-wide rights to the trade mark "Ripley's Believe It Or Not"; operates "Believe It Or Not" museums in several locations in the U.S. and Canada.

American Smelting and Refining - Large international mining corporation with substantial holdings in Mount Isa mines in Australia.

Telecommunications - Rapidly growing micro-wave and cable TV company serving many communities in the Western U.S.

GUARDIAN GROWTH FUND LIMITED

INTERIM STATEMENT OF INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED JUNE 30th, 1970

(With comparative figures for the six months ended June 30th, 1969)

	1970	1969
INCOME		
Dividends	$ 89,765	$ 135,123
Interest	428,764	304,577
	518,529	439,700
Less: Withholding taxes on foreign income	11,736	16,452
	$ 506,793	$ 423,248
EXPENSES		
Management fee (Note 2)	$ 177,928	$ 346,266
Bank charges	15,356	12,448
Audit and legal	3,375	1,450
Printing, postage and stationery	7,844	10,390
Registration fees and taxes	1,113	4,265
Transfer agent's fees and expenses	10,725	10,200
Miscellaneous	--	10
	$ 216,341	$ 385,029
EXCESS OF INCOME OVER EXPENSES BEFORE CHARGING 50% OF MANAGEMENT FEE TO CAPITAL REDEMPTION RESERVE	290,452	38,219
50% OF MANAGEMENT FEE CHARGES TO CAPITAL REDEMPTION RESERVE (Note 3)	88,964	173,133
EXCESS OF INCOME OVER EXPENSES TRANSFERRED TO EARNED SURPLUS	$ 379,416	$ 211,352

GUARDIAN GROWTH FUND LIMITED

INTERIM STATEMENT OF CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30th, 1970

(With comparative figures for the six months ended June 30th, 1969)

	1970	1969
NET ASSETS - January 1st, equivalent to $8.28 per share (1969 - $10.97 per share)	$ 34,886,612	$ 53,369,232
Add: Excess of income over expenses for the period	379,416	211,352
Net realized gains on sale of investments	--	3,636,849
	$ 35,266,028	$ 57,217,433
Less: Preference shares redeemed	$ 4,642,821	$ 2,679,648
50% of management fee charged against capital redemption reserve (Note 3)	88,964	173,133
Net losses on sale of investments	3,539,539	--
Net decrease in unrealized appreciation of investments	4,721,464	13,577,035
	$ 12,992,788	$ 16,429,816
NET ASSETS - June 30th, equivalent to $6.25 per share (1969 - $8.88 per share)	$ 22,273,240	$ 40,787,617

GUARDIAN GROWTH FUND LIMITED

NOTES TO INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30th, 1970

1. The company ceased selling its shares of capital stock during April, 1968.

2. Under a contract with Gdn. Management Limited ("Gdn.") as amended in 1968, Guardian Growth Fund Limited (the "Company") pays a basic expense, management and advisory annual fee, computed such that this fee plus certain other administrative expenses of the company total 1½% of the average net assets of the company. In addition to the basic fee, the company will pay a performance bonus to Gdn. if the company outperforms certain stock market averages. This bonus is a percentage of average net assets during the year equal to 1/10th of the amount by which the percentage gain in the net asset value per share of the company exceeds the median percentage gain of the Toronto Industrial Index and the Dow-Jones Industrial Average in the same year; or conversely 1/10th of the amount by which the percentage loss in the net asset value per share of the company is less than the median percentage loss of these indices. The bonus is not to exceed 2% of such average net assets and is payable to Gdn. subsequent to the company's year-end.

   No performance bonus has been accrued in the attached Statement of Income and Expense for the six months ended June 30th, 1969 or 1970.

3. It is the policy of the company to charge 50% of the management fee and bonus against income and 50% against principal for the reason that both the production of income and the management of principal are investment management functions.

4. No provision for Canadian income taxes was required for the six months ended June 30th, 1970 since the company had sufficient losses for tax purposes from prior years to offset the taxable income for the year to date.

Directors and Officers

Norman J.Short, President
James F. Cole, Vice-President and Secretary
Ralph Horner, Vice-President and Treasurer

Alan Grieve, Director
Richard E. McConnell, Director
Gurston Rosenfeld, Director
Murray M. Sinclair, Director
Hunter E. Thompson, Director

Transfer Agent and Registrar

The Canada Trust Company
110 Yonge Street
Toronto 1, Ontario.

Banker and Custodian of Securities

The Bank of Nova Scotia
44 King Street West
Toronto 1, Ontario.

Auditors

Smith, Nixon & Co.,
372 Bay Street,
Toronto 1, Ontario.

Legal Counsel

Day, Wilson, Campbell
250 University Avenue
Toronto 1, Ontario.

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